

## **EXHIBIT 3**

**AFFIDAVIT OF SAQIB BHATTI**

STATE OF MICHIGAN     )  
                                      ) SS  
COUNTY OF WAYNE     )

1. I Saqib Bhatti, do affirm and state as follows:

2. I am a Fellow at the Nathan Cummings Foundation researching the role that municipal finance deals play in public budget crises. Prior to my fellowship, I analyzed the financial industry for six years as a Senior Financial Analyst with the Service Employees International Union (SEIU). During this time, my work focused on two primary areas: municipal finance and the housing crisis.

3. I have established myself as an expert on interest rate swaps in particular, leading a team of researchers that has uncovered more than 1,100 swap deals and quantified the costs of each to taxpayers. Through this research, I have been able to draw clear connections between interest rate swaps and budget deficits in cities and states across the country.

4. This work has also allowed me to understand the rampant fraud in the municipal derivatives industry. I have studied the London Inter-Bank Offered Rate (LIBOR) manipulation scandal and helped analyze the State of Oregon's potential losses stemming from the illegal manipulation of LIBOR. I am also familiar with the municipal derivatives bid-rigging scandal, the International Swap Dealers Association's ISDAfix scandal, and other instances of criminal corruption in the industry, like the fraudulent interest rate swaps that bankrupted Jefferson County, Alabama.

5. I have met with numerous public officials and/or their staff in more than ten states, including treasurers, attorneys general, comptrollers, mayors, city managers, chief financial officers, finance directors, state legislators, and city councilmembers to present my research and offer policy recommendations. My work has led to policy considerations in more

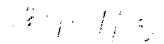
thar. 20 cities across the country, and it has been covered by major US and international press outlets, including the *Wall Street Journal*, *New York Times*, *Financial Times*, and *American Banker*. I am frequently consulted by financial reports writing stories about interest rate swaps as an expert for background research.

6. I was awarded the highly competitive Nathan Cummings Foundation Fellowship in recognition of my work in the area of municipal finance to work with economists, academics, industry experts, public officials, and nonprofit organizations to develop and advocate for alternate models for government financing that are not dependent on risky financial instruments like interest rate swaps.


7. My testimony will speak specifically to the impact that the illegal manipulation of LIBOR had on the City of Detroit's interest rate swaps. It will also focus on known instances of fraud, corruption, and criminal behavior that have been uncovered in the municipal derivatives market elsewhere in the country, including the bid-rigging scandal, the ISDAfix manipulation scandal, and the corruption scandal in Jefferson County.

FURTHER AFFIANT SAYETH NOT.

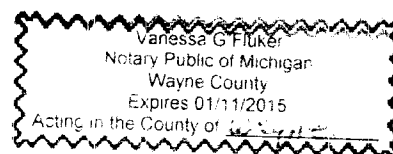
  
SAQIB BHATTI

  
Date

Subscribed and sworn to before me this 17<sup>th</sup> day of September, 2013

  
Notary Public; Vanessa G. Fluke, Wayne County Michigan.

My commission expires: 01/11/2015



## **EXHIBIT 4**

1 UNITED STATES BANKRUPTCY COURT  
2 EASTERN DISTRICT OF MICHIGAN  
3 SOUTHERN DIVISION  
4  
5 \_\_\_\_\_  
6 In re: ) Chapter 9  
7 )  
8 CITY OF DETROIT, MICHIGAN, ) Case No. 13-53846  
9 )  
10 Debtor. ) Hon. Steven W. Rhodes  
11 \_\_\_\_\_ )  
12  
13

14 VIDEO DEPOSITION  
15  
16

17 DEPONENT: SAQIB BHATTI  
18 DATE: Wednesday, September 18, 2013  
19 TIME: 11:03 a.m.  
20 LOCATION: Pepper Hamilton, LLP  
21 Suite 1800  
22 4000 Town Center  
23 Southfield, Michigan 48075  
24 REPORTER: Michele E. French, CSR-3091, RMR, CRR  
25

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<p>1 You said small business. What was the one prior to 2 that -- or after that? 3 A. Was it municipal finance? 4 Q. Municipal finance. What did you do 5 there? 6 A. We looked through -- so there was no 7 central repository of interest rate swap deals that 8 exists publicly, and so we culled through hundreds 9 of financial reports from governmental entities 10 across the country. 11 Q. Is this the one where you said you 12 categorized 1,100 swap transactions? 13 A. Yes. 14 Q. Okay. We started to talk about that. 15 Why don't we talk about it a little bit further. 16 So you categorized 1,100 transactions. 17 swap transactions. What did you do? You took the 18 variable rate and looked at the variable rate and 19 the fixed rate? 20 A. Correct. 21 Q. And then what did you do after you did 22 that? 23 A. Multiplied it by the notional amount. 24 Q. Okay. And came up with a dollar amount 25 on the spread; correct?</p>	<p>1 the one in Florida for the School District of Palm 2 Beach County. State of Illinois. This report 3 that's listed, "Illinois Banks and Corporations' 4 Impact on the State's Economic and Budget Crisis." 5 Q. Well, let's start with the -- let's take 6 them one at a time. 7 The Florida one, you said I believe 8 earlier in your testimony that there you just 9 presented the cost of the swap to them? 10 A. Correct. 11 Q. And did you make any other findings or 12 determinations? 13 A. Yeah. What we determined was that the 14 swaps became most costly in the aftermath of the 15 financial crisis when the Federal Reserve slashed 16 interest rates in response to the collapse of Lehman 17 Brothers. 18 Q. Okay. Any other -- any other findings 19 you made based upon your analysis, besides that? 20 A. No. 21 Q. Okay. The next one you started was 22 number 5 on your CV, which is the "Illinois Banks 23 and Corporations' Impact on the State's Economic and 24 Budget Crisis." Correct? 25 A. Correct.</p>
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<p>1 A. Correct. 2 Q. And then what did you do? 3 A. In which case? 4 Q. After you -- after you did this analysis 5 or research on the 1,100 swaps, what was the next 6 step you used the report for? 7 Did the report have anything -- let me 8 strike that. 9 Did the report have anything more in it 10 than those things that you just described? 11 A. So there was no report we issued with 12 the data on 1,100. 13 Q. Okay. So you never issued a report on 14 those 1,100 swap transactions that you did a -- or 15 did an analysis of; correct? 16 A. No. It was not one -- the research was 17 not for one big report. 18 Q. Okay. What was the research for, then? 19 A. The research was to figure out what's 20 happening locally in different places and then, 21 based on that, we did reports in specific places. 22 Q. And where did you do report -- what 23 specific places did you do reports in? 24 A. So the ones that I, myself, wrote that 25 touch on interest rate swaps were in -- so Florida.</p>	<p>1 Q. And what was that report that you 2 prepared? 3 A. I mean, so, that report looked at a 4 number of different ways that Wall Street had an 5 impact on the economy within Illinois. I looked at 6 small business lending. It looked at foreclosures. 7 It also looked at interest rate swaps. 8 Q. Let's concentrate on the portion that 9 dealt with the interest rate swaps. What did you 10 report on? 11 A. It was the same as with the School 12 District. Looking at the spread between the 13 variable and fixed rate and putting a dollar amount 14 on it. 15 Q. So is it -- and what's the next one you 16 did? 17 A. Actually, the first one we skipped over. 18 the "Riding the Gravy Train." 19 Q. Okay. And that was -- was that given to 20 some jurisdictional unit? 21 A. That was -- that covered 12 different 22 places. 23 Q. And that -- once again, was that the same 24 type of report, where you did the calculation of the 25 cost of the swap?</p>

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<p>1 A. The additional thing that was in that one 2 that was not in the other reports was that we also 3 put dollar amounts to the impact of LIBOR 4 manipulation on these interest rate swaps. 5 Q. Okay. And what study did you do on LIBOR 6 manipulation? 7 A. That one. 8 Q. Did you -- how do you know there was 9 LIBOR manipulation? 10 A. It's been widely reported in the press 11 and there have been a number of settlements already 12 between regulators and banks. 13 Q. Have you done any independent research on 14 LIBOR manipulation? 15 A. Yes. 16 Q. And what studies have you done? 17 A. So in Oregon, we analyzed the State of 18 Oregon's investments to determine the impact of 19 LIBOR manipulation on -- 20 Q. I'm not asking the impact of LIBOR 21 manipulation. I'm asking what studies or research 22 you have done personally in regard to determining 23 whether there was LIBOR manipulation in.... 24 A. None. 25 Q. Okay. So you were relying on other</p>	<p>1 Q. Yes. 2 A. -- was based on studies that have been 3 done -- both studies that have been done and 4 admissions by banks. UBS in particular has pleaded 5 guilty to LIBOR manipulation. 6 Q. In Oregon? 7 A. Well, the rate -- it's a global rate. If 8 the rate is -- it's a global rate based out of the 9 U.K. It's -- the same rate affects investment tied 10 to LIBOR everywhere. 11 Q. And tell me how did you calculate the 12 likely loss in Oregon at \$110 million? 13 A. We put in an information request to the 14 State of Oregon. They produced for us a document 15 that quantified the estimated losses for every basis 16 point of manipulation. And we took the prevailing 17 numbers from studies that were done by the 18 researchers at the University of Minnesota and UCLA 19 on the amount of manipulation that took place during 20 different time periods and -- 21 Q. Well, I'm confused. You say you took the 22 analysis that the State of Oregon had done on the 23 manipulation? 24 A. Yes. 25 Q. So they had already calculated what they</p>
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<p>1 people's work and findings in regard to LIBOR 2 manipulation? 3 A. Correct. 4 Q. And you did no independent analysis or 5 investigation into whether, in fact, there was LIBOR 6 manipulation and the impact the LIBOR manipulation 7 had? 8 A. On the first part, no. On the second 9 part, yes. 10 Q. Okay. 11 A. We did do research on the impact. 12 Q. And what type of research did you do? 13 A. Quantifying the financial -- the 14 financial losses to the State of Oregon from the 15 manipulation. 16 Q. Okay. And when you say "quantifying," 17 what do you mean by that? 18 A. We determined that the State of Oregon 19 likely lost \$110 million as a result of LIBOR 20 manipulation. 21 Q. And what did you base your findings on 22 that there was LIBOR manipulation in Oregon, or that 23 impacted Oregon? 24 A. The findings that there was LIBOR 25 manipulation --</p>	<p>1 believed the loss was through the LIBOR 2 manipulation? 3 A. No. So what they calculated is what the 4 loss would have been for every basis point of 5 manipulation. 6 Q. Okay. And then you just took their 7 numbers, and based upon what there was reported of 8 LIBOR manipulation, you did a mathematical 9 calculation? 10 A. Correct. 11 Q. Okay. You did no independent research of 12 any of these issues, then? 13 A. No. 14 Q. Okay. What did you do to test whether 15 the calculation that was done by the State of Oregon 16 was correct or not correct? 17 A. Consulted CFAs who worked for labor 18 unions, who looked at that and said that it seemed 19 plausible to them. 20 Q. Okay. So you didn't -- you relied on 21 someone else telling you that they did this? 22 A. Correct. 23 Q. Did you review their work product? 24 A. The State of Oregon's? 25 Q. No, the CF -- what did you call it?</p>

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<p>1 The --</p> <p>2 A. CFA.</p> <p>3 Q. CFA. Did you review their work product</p> <p>4 on how they made the mathematical determination?</p> <p>5 A. No.</p> <p>6 Q. Okay. You're not a mathematician, are</p> <p>7 you?</p> <p>8 A. No.</p> <p>9 Q. Okay. How long were you in this position</p> <p>10 that you started in 2009?</p> <p>11 A. Four years.</p> <p>12 Q. So you maintained that 'til the end of</p> <p>13 your employment or until your leave to go to the</p> <p>14 Nathan Foundation?</p> <p>15 A. Correct.</p> <p>16 Q. And what other things did you do besides</p> <p>17 the -- you said you did analysis of municipal</p> <p>18 finance, healthcare. And under the municipal</p> <p>19 finance, you looked at swap transactions; correct?</p> <p>20 A. Correct.</p> <p>21 Q. What else did you do in regard to swap</p> <p>22 transactions in municipal finance, besides this</p> <p>23 study we just went over?</p> <p>24 A. We did -- and beside this particular</p> <p>25 study or -- I mean, we cataloged swap transactions</p>	<p>1 A. Right, which is something that hasn't</p> <p>2 been done in other places.</p> <p>3 Q. But when you say you wrote the narrative,</p> <p>4 you wrote the narrative based upon reading what was</p> <p>5 in the Wall Street Journal, the Financial Times, and</p> <p>6 the New York Times and other newspapers; is that a</p> <p>7 fair statement?</p> <p>8 A. Not entirely, no.</p> <p>9 Q. Okay. Was that -- how much impact did</p> <p>10 that have on your narrative, those type of</p> <p>11 newspapers and periodicals?</p> <p>12 A. The analysis that we raised, the critique</p> <p>13 that we raised about interest rate swap deals was</p> <p>14 not advanced by any of the other papers prior to us.</p> <p>15 Since then, other papers have started reporting on</p> <p>16 it.</p> <p>17 But this -- the fact that the financial</p> <p>18 crisis actually had an impact on interest rate swap</p> <p>19 deals and caused them to backfire and caused the net</p> <p>20 payments on them to skyrocket was something that was</p> <p>21 not reported in the press prior to us covering it.</p> <p>22 And that's why we actually got a lot of coverage in</p> <p>23 the Wall Street Journal and the Financial Times and</p> <p>24 the New York Times based on the work that we did on</p> <p>25 it because it had not been done before.</p>
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<p>1 in a number of places and did a number of reports</p> <p>2 that either I directly wrote or other folks on the</p> <p>3 team or a supervisor or others wrote.</p> <p>4 Q. And all of these reports were really</p> <p>5 just -- and tell me if my characterization is</p> <p>6 wrong -- were just mathematical calculations of the</p> <p>7 impact of the different fluctuations of the LIBOR</p> <p>8 rate against the fixed rate?</p> <p>9 A. Mathematical calculations as well as</p> <p>10 looking at what had been reported in the press and</p> <p>11 in court cases to develop some of the narrative</p> <p>12 around what happened with interest rate swaps.</p> <p>13 Q. So you relied on newspapers, the press,</p> <p>14 to help you in doing your narrative around the</p> <p>15 mathematical calculations; is that correct?</p> <p>16 A. Correct.</p> <p>17 Q. And what press did you rely on?</p> <p>18 A. Wall Street Journal, New York Times,</p> <p>19 Financial Times. All the major newspapers.</p> <p>20 Q. But you didn't do any independent</p> <p>21 research that, for example, the Wall Street Journal</p> <p>22 would do when it writes an article; correct?</p> <p>23 A. I mean, the independent research we did</p> <p>24 was on cataloging the deals in a number of places.</p> <p>25 Q. Just taking the numbers and cataloging?</p>	<p>1 Q. Okay. And when you say that it was --</p> <p>2 all you were doing were reporting the numbers;</p> <p>3 correct?</p> <p>4 A. Correct, along with analysis of why it</p> <p>5 happened.</p> <p>6 Q. And what was -- what type of analysis did</p> <p>7 you do to determine why it happened?</p> <p>8 A. State the fact that the only reason why</p> <p>9 interest rates were low was because the banks had</p> <p>10 crashed the economy.</p> <p>11 Q. And what analysis did you do to determine</p> <p>12 that the banks had crashed the economy, as you call</p> <p>13 it? What independent research did you do on that?</p> <p>14 A. On our team, we did do research that</p> <p>15 showed that the banks took on increasingly risky</p> <p>16 investments.</p> <p>17 Q. And how did you go about doing that</p> <p>18 analysis to determine that the banks had taken on</p> <p>19 increasingly risky investments?</p> <p>20 A. So this was done by one of the other</p> <p>21 researchers on our team, but we actually looked</p> <p>22 at --</p> <p>23 Q. But you were the senior person; right?</p> <p>24 A. With this particular thing I'm about to</p> <p>25 say, this was -- I was not.</p>

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## **EXHIBIT 5**

**AFFIDAVIT OF SAQIB BHATTI**

STATE OF MICHIGAN     )  
                                      ) SS  
COUNTY OF WAYNE     )

1. I Saqib Bhatti, do affirm and state as follows:

2. In my current position as a fellow with the Nathan Cummings Foundation, and in my previous employment as Senior Financial Analyst with SEIU, on a daily basis I monitor the financial industry specifically with regard to Interest Rate Swaps. I monitor news reports relative to Swap Agreements, as well as federal regulatory filings and enforcement actions by Federal regulators relative to Swap Agreements.

3. Based on this knowledge, I am prepared to help the court in getting a picture of the extent of regulatory filings nationwide as well as anecdotal evidence documenting wrongdoing in the financial industry relative to Swap Agreements that may assist the court in making a determination of whether further investigation of the Swap Agreements in the present case would be warranted before approving a forbearance agreement that removes these agreements from the review of the bankruptcy court.

4. I can testify based on my first hand review of more than 1100 Swap Agreements nationwide on the financial impact of these Agreements on municipalities including Detroit which again may aide the Court in gaining a proper perspective on Swaps as they relate to the present case.

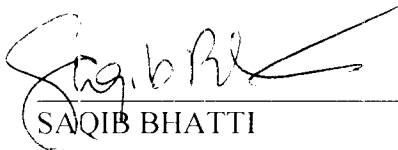
5. With regard to LIBOR manipulation, there is a well established study dated April 2010, entitled "Does LIBOR reflect banks' borrowing costs?" by Connan Snider and Thomas Youle, from the Departments of Economics at UCLA and the University of Minnesota. The study estimates the degree to which the LIBOR index was manipulated during different time periods. I have applied that study to quantify the losses suffered by the City of Detroit as a result

of its being placed in Swap Agreements based on the LIBOR index by UBS and SBS (the SBS Swap is backed by Bank of America). That study has been utilized to establish the existence of LIBOR Manipulation and the amount of manipulation in over a dozen lawsuits across the U.S. including cases brought by the City of Baltimore, San Diego County, City of Philadelphia, University of California, East Bay Municipal Utilities District, New Britain, CT Firefighters and Police Benefit Fund among others.

6. I am prepared to testify to the estimated cost of LIBOR Manipulation to the City of Detroit applying the data from this study to the City's Swap deals. My research team has applied the methodology in that study to calculate LIBOR manipulation in over a dozen locations in the US, including the states of Illinois and Oregon, the New York Metropolitan Transportation Authority and the City of Philadelphia, PA.

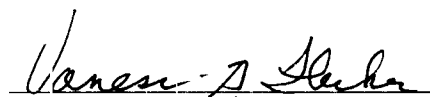
7. LIBOR is a standard rate, so the cost of potential manipulation similarly is standard to every entity that uses the index in its calculation of interest rates in swap agreements.

FURTHER AFFIANT SAYETH NOT.

  
SAQIB BHATTI

9/20/13  
Date

Subscribed and sworn to before me this 20<sup>th</sup> day of September, 2013

  
Notary Public; Vanessa G. Fluker, Wayne County Michigan.

My commission expires: 01-11-2015

